



**TERMS OF REFERENCE
AUDIT COMMITTEE**

**A&W REVENUE ROYALTIES INCOME FUND
(the "Fund")**

The Terms of Reference of the Audit Committee was created on inception of A&W Revenue Royalties Income Fund on February 15, 2002 (revised March 18, 2005 and February 20, 2007).

I. PURPOSE

The Audit Committee (the "Committee") of the Fund (which term includes, where the context requires, A & W Trade Marks Inc.) is a standing committee of the trustees. The Committee is responsible for the oversight and supervision of the Fund's accounting and financial reporting practices and procedures, the adequacy of internal accounting controls and procedures, and the quality and integrity of the Fund's financial statements. In addition, the Committee is responsible for directing the auditors' examination of specific areas and for the selection of the independent auditors.

II. COMPOSITION AND TERMS OF OFFICE

Following each annual meeting of the Fund, members of the Committee shall be annually appointed by the trustees and shall serve until such member's successor is duly elected and qualified or until such member's earlier resignation or removal. The members of the Committee may be removed, with or without cause, by a majority of the trustees.

The Committee shall be comprised of not less than three trustees, each of whom is a trustee and satisfies the "independence" and "financial literacy" requirements of Multilateral Instrument 52-110 – *Audit Committees* ("MI 52-110"), as amended. A copy of the "independence" requirements of MI52-110 is attached as Schedule A.

A member of the Committee is "financially literate" if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of the issues that can reasonably be expected to be raised by the financial statements of the Fund.

III. THE CHAIR OF THE COMMITTEE

Unless the trustees elect a Chair of the Committee, the members of the Committee shall appoint a Chair by the majority vote of the full Committee membership.

The Chair of the Committee shall:

- (a) Not be an officer or employee of the Fund;
- (b) Call and conduct the meetings of the Committee;
- (c) Be entitled to vote to resolve any ties;

- (d) Prepare and forward to members of the Committee the agenda for each meeting of the Committee, and include, in the agenda, any items proposed for inclusion in the agenda by any member of the Committee;
- (e) Review with the CFO and the auditors for the Fund any matters referred to the Chair by the CFO or the auditors of the Fund;
- (f) Appoint a secretary, who need not be a member of the Committee, to take minutes of the meetings of the Committee; and
- (g) Act in a manner ensuring that the Committee meetings are conducted in an efficient, effective and focused manner.

IV. MEETINGS

As part of its goal to foster open communication, the Committee shall:

- (a) meet at least quarterly or more frequently as deemed necessary by the Chair of the Committee or as requested by any member of the Committee , or by the external auditors;
- (b) meet with management and the external auditors periodically in separate sessions to discuss any matters that the Committee or each of these groups believes should be discussed privately; and
- (c) meet with the external auditors and management quarterly to review the Fund's financial statements in a manner consistent with that outlined in Section V of these Terms.

In order to carry out its responsibilities as outlined in these Terms, the Committee may:

- (a) invite to its meetings, any trustees, directors of A & W Trade Marks Inc., directors and management of A & W Food Services of Canada Inc. and such other persons as it deems appropriate in order to carry out its responsibilities;
- (b) meet privately with counsel of its choosing and the Chief Financial Officer of the Fund, as necessary; and
- (c) exclude from its meetings any persons it deems appropriate.

A majority of the Committee members, but not less than two, shall constitute a quorum. A majority of members present at any meeting at which a quorum is present may act on behalf of the Committee. Matters arising at any meetings shall be determined by a majority of votes of the Committee members present, absent unanimous consent, the Chair of the Committee shall have a second casting vote. The Committee may meet by telephone or videoconference and may take action by unanimous written consent with respect to matters that may be acted upon without a formal meeting.

The Committee shall:

- (a) maintain minutes or other records of meetings and activities of the Committee; and
- (b) make all supporting schedules and information reviewed by the Committee available for examination by any director or trustee upon request to the secretary of the Committee.

Notice of the time and place of every meeting shall be given in writing or facsimile communication to each member of the Committee at least 24 hours prior to the time fixed for such meeting; provided, however, that a member may in any manner waive a notice of a meeting. Attendance of a member at a meeting is a

waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

V. RESPONSIBILITIES, DUTIES, AUTHORITY

The following functions shall be the common recurring activities of the Committee in carrying out its responsibilities outlined in Section I of these Terms. These functions should serve as a guide with the understanding that the Committee may carry out additional functions and adopt additional policies and procedures as may be appropriate in light of changing business, legislative, regulatory, legal and other conditions. The Committee shall also carry out any other responsibilities and duties delegated to it by the trustees from time to time related to the purposes of this Committee outlined in Section I of these Terms.

The Committee in discharging its oversight role, is empowered to investigate any matter of interest or concern that the Committee deems appropriate. In this regard, the Committee and each member of the Committee shall have the authority to retain outside counsel, accounting, or other advisors for this purpose, including authority to approve the fees payable to such advisors and other terms of retention. In addition, the Committee shall have the authority to communicate directly with external auditors of the Fund.

The Committee shall be given full access to trustees, management of the Fund, employees of the Fund, directly and indirectly responsible for financial reporting, and external auditors, as necessary, to carry out these responsibilities. While acting within the scope of this stated purpose, the Committee shall have all the authority of the trustees.

The Committee shall be responsible for assessing the range of risks that the trustees shall focus on, and make recommendations to the trustees about how appropriate responsibilities for continuing to identify, monitor and manage these risks are to be delegated.

In addition, the Committee shall encourage continuous improvement of, and foster adherence to, the Fund's financial policies, procedures and practices at all levels in the organization; and provide an avenue of communication among the external auditors, management and the trustees.

Absent actual knowledge to the contrary, each member of the Committee shall be entitled to rely on (i) the integrity of those persons or organizations within and outside the Fund from which it receives information, (ii) the accuracy of the financial and other information provided to the Committee by such persons or organizations and (iii) representations made by management and the external auditors, as to any information technology, internal audit and other non-audit services provided by the external auditors to the Fund.

Document Reports/Reviews

Annual Financial Statements

1. The Committee shall review with management and the external auditors, both together and separately, prior to public dissemination:
 - (a) the annual audited consolidated financial statements;
 - (b) the external auditor's review of the annual consolidated financial statements and their report;
 - (c) any significant changes that were required in the external audit plan;
 - (d) any significant issues raised with management during the course of the audit, including any restrictions on the scope of activities or access to information; and

- (e) those matters related to the conduct of the audit that are required to be discussed under generally accepted auditing standards applicable to the Fund.

Following completion of the matters contemplated above, the Committee shall make a recommendation to the trustees with respect to the approval of the annual financial statements with such changes contemplated and further recommended, as the Committee considers necessary.

Interim Financial Statements

- 2. The Committee shall review with management and the external auditors, both together and separately, prior to public dissemination, the interim unaudited consolidated financial statements of the Fund, including to the extent considered necessary by the Committee, a discussion with the external auditors of those matters required to be discussed under generally accepted auditing standards applicable to the Fund.

Management's Discussion and Analysis

- 3. The Committee shall review with management and the external auditors, both together and separately prior to public dissemination, the annual and to the extent considered necessary by the Committee, interim Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") of the Fund.

Approval of Annual MD&A, Interim Financial Statements and Interim MD&A

- 4. The Committee shall approve the annual MD&A with such changes contemplated and further recommended by the Committee as the Committee considers necessary. In addition, the Committee shall approve, prior to public dissemination, the interim financial statements and interim MD&A of the Fund, if the trustees have delegated such function to the Committee. If the Committee is not composed of all the trustees, the Committee shall make a recommendation to the trustees with respect to the approval of the interim financial statements and annual and interim MD&A with such changes contemplated and further recommended as the Committee considers necessary.

Press Releases

- 5. The Committee shall review prior to public dissemination, the Fund's financial statements, MD&A and annual and interim earnings press releases before the Fund publicly discloses this information.
- 6. The Committee shall review with management, prior to public dissemination, the annual and interim earnings press releases (paying particular attention to the use of any "pro forma" or "adjusted non-GAAP" information) as well as financial information and earnings guidance provided to analysts and rating agencies, if any.

Reports and Regulatory Returns

- 7. The Committee shall review and discuss with management, and the external auditors to the extent the Committee deems appropriate, such reports and regulatory returns of the Fund as may be specified by law.

Other Financial Information

- 8. The Committee shall review the financial information of the Fund included in any prospectus, annual information form or information circular with management and the external auditors, both

together and separately, prior to public dissemination, and shall, if the Committee is not composed of all the trustees, make a recommendation to the trustees with respect to the approval of such prospectus, annual information form or information circular with such changes contemplated and further recommended as the Committee considers necessary.

Financial Reporting Processes

Establishment and Assessment of Procedures

9. The Committee shall satisfy itself that adequate procedures are in place for the review of the public disclosure of financial information extracted or derived from the financial statements of the Fund and assess the adequacy of these procedures annually.
10. The Committee shall satisfy itself that disclosure controls and procedures and internal control over financial reporting procedures are in place and maintained for the Fund to provide reasonable assurance that all relevant information is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosures and all public disclosures are complete and fairly presented.

Application of GAAP

11. The Committee shall assure itself that the external auditors are satisfied that the accounting estimates and judgements made by management, and their selection of accounting principles reflect an appropriate application of generally accepted accounting principles.

Practices and Policies

12. The Committee shall review with management and the external auditors, together and separately, the principal accounting practices and policies of the Fund.

External Auditors

Oversight and Responsibility

13. The Committee shall recommend to unitholders the external auditor nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Fund, and the compensation of the external auditor.
14. The Committee shall oversee the work of the external auditors engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Fund, including the resolution of disagreements between management and the external auditors regarding financial reporting.

Reporting

15. The external auditors shall report directly to the Committee and are ultimately accountable to the Committee.

Performance and Review

16. The Committee shall annually review the performance of the external auditors and recommend to the unitholders the appointment of the external auditors or approve any discharge of the external auditors when circumstances warrant, for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Fund.

Annual Audit Plan

17. The Committee shall review with the external auditors and management, together and separately, the overall scope of the annual audit plan and the resources the external auditors will devote to the audit. The Committee shall annually review and approve the fees to be paid to the external auditors with respect to the annual audit.

Non-Audit Services

18. "Non-audit services" means all services performed by the external auditors other than audit services. The Committee shall pre-approve all non-audit services to be provided to the Fund by the Fund's external auditor and permit all non-audit services, where:
 - (a) the aggregate amount of all such non-audit services that were not pre-approved is reasonably expected to constitute no more than five per cent of the total amount of fees paid by the issuer and its subsidiary entities to the Fund's external auditor during the fiscal year in which the services are provided;
 - (b) the Fund did not recognize the services as non-audit services at the time of the engagement; and
 - (c) the services are promptly brought to the attention of the Committee and approved, prior to the completion of the audit, by the Committee or by one or more of its members to whom authority to grant such approvals had been delegated by the Committee.
19. The Committee may delegate to one or more members of the Committee the authority to grant such pre-approvals for non-audited services. The decisions of such member(s) regarding approval of non-audit services shall be reported by such member(s) to the full Committee at its first scheduled meeting following such pre-approval.
20. The Committee shall adopt specific policies and procedures for the engagement of the non-audit services if:
 - (a) the pre-approval policies and procedures are detailed as to the particular services;
 - (b) the Committee is informed of each non-audit service; and
 - (c) the procedures do not include delegation of the Committee's responsibilities to management.

Independence Review

21. The Committee shall review and assess the qualifications, performance and independence of the external auditors, including the requirements relating to such independence of the law governing the Fund. At least annually, the Committee shall receive from and review with the external auditors, their written statement delineating all relationships with the Fund and, if necessary, recommend that the trustees take appropriate action to satisfy itself of the external auditors' independence and accountability to the Committee.

Reports to Board of Trustees

Reports

22. The Committee shall consider and, if the Committee is not composed of all the trustees, in addition to such specific reports contemplated elsewhere in these Terms, the Committee shall report regularly to the trustees regarding such matters, including:
- (a) with respect to any issues that arise with respect to the quality or integrity of the financial statements of the Fund, compliance with legal or regulatory requirements by the Fund, or the performance and independence of the external auditors of the Fund;
 - (b) the results of meetings of and recommendations by the Committee; and
 - (c) with respect to such other matters as are relevant to the Committee's discharge of its responsibilities.

Any report to the trustees may take the form of an oral report by the Chair or any other member of the Committee designated by the Committee to make such report.

Recommendations

23. In addition, to such specific recommendations contemplated elsewhere in these Terms, the Committee shall provide such recommendations as the Committee may deem appropriate.

Whistle-Blowing

Procedures

24. The Committee shall establish procedures for:
- (a) the receipt, retention and treatment of complaints received by the Fund regarding questionable accounting, internal accounting controls, or auditing matters; and
 - (b) the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

Notice to Employees

25. To comply with the above, the Committee shall ensure the Fund advises all employees, by a written or electronic notice, that any employee who reasonably believes that questionable accounting, internal accounting controls, or auditing matters have been employed by the Fund is strongly encouraged to report such concerns by way of communication directly to the Chair. Matters referred may be done so anonymously and in confidence.

The Fund shall not take or allow any reprisal against any employee for, in good faith, reporting questionable accounting, internal accounting, or auditing matters. Any such reprisal shall itself be considered a very serious breach of this policy.

All reported violations shall be investigated by the Committee following rules of procedure and process as shall be recommended by outside counsel.

General

Access to Counsel

26. The Committee shall review, periodically, with outside counsel of its choosing, any legal matter that could have a significant impact on the financial statements, the Fund's compliance policies and any material reports or inquiries received from regulators or governmental agencies.

Hiring of Partners and Employees of External Auditors

27. The Committee shall annually review and approve the Fund's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Fund.

General

28. The Committee shall perform such other duties and exercise such powers as may, from time to time, be assigned or vested in the Committee by the trustees, and such other functions as may be required of an audit committee by law, regulations or applicable stock exchange rules.

VI. ANNUAL PERFORMANCE REVIEW

Evaluation

Annual Review

29. The Committee shall perform a review and evaluation, annually, of the performance of the Committee and its members, including a review of the compliance of the Committee with these Terms. In addition, the Committee shall evaluate the adequacy of these Terms annually and recommend any proposed changes to the trustees.
30. The Committee shall annually review transactions involving directors and officers, including a review of travel expenses and entertainment expenses, related party transactions and any conflicts of interests.
31. Management shall be required to provide the Committee, at least annually, a report on internal controls, including reasonable assurance that such controls are adequate to facilitate reliable and timely financial information. The Committee shall also review and follow-up on any areas of internal control weakness identified by the external auditors with the auditors and management.

VII. AGENDA

32. Attached to these Terms is the forward agenda for the Audit Committee.

A & W REVENUE ROYALTIES INCOME FUND

Audit Committee Forward Agenda

Meeting Timing <i>Agenda Item</i>	February	April	July	October
A. Financial Reporting Control Systems				
(i) Review reports from senior officers outlining changes in financial risks.	X	X	X	X
(ii) Review management letter of external auditor and Corporation's responses to suggestions made.	X			
(iii) Review the Audit Committee Terms of Reference				X
(iv) Review any new appointments to senior positions with financial reporting responsibilities.	X	X	X	X
(v) Obtain assurance from external auditors regarding the overall control environment and the adequacy of accounting system controls.	X	X	X	X
(vi) Review financial statement certification process, disclosure controls and procedures and internal controls over financial reporting.			X	
(vii) Review procedures for receipt and treatment of complaints regarding accounting controls or auditing matters and confidential, anonymous submission of concerns regarding accounting or auditing matters ("Whistle-blowing" procedures).				X
(viii) Receive and review external auditors report on critical accounting policies.	X			
B. Interim Financial Statements				
(i) Review interim financial statements prior to their release and recommend their approval to the trustees.	X	X	X	X
(ii) Review management's discussion and analysis and associated press releases accompanying interim financial statements.	X	X	X	X
C. Annual Financial Statements and Other Financial Information				
(i) Review any changes in accounting policies or	X	X	X	X

Meeting Timing	February	April	July	October
Agenda Item				
financial reporting requirements that may affect the current year's financial statements.				
(ii) Obtain summaries of significant transactions, and other potentially difficult matters whose treatment in the annual financial statements merits advance consideration.	X	X	X	X
(iii) Obtain draft annual financial statements in advance of the committee meeting and assess, on a preliminary basis, the reasonableness of the financial statements in light of the analyses provided by officers.	X			
(iv) Review summary of the status of any material pending or threatened litigation, claims and assessments.	X	X	X	X
(v) Discuss the annual financial statements and the auditors' report thereon in detail with officers and the auditors.	X			
(vi) Review critical accounting policies, alternative treatments of financial information and material communication between management and external auditors.	X	X	X	X
(vii) Review the annual report and other annual public information documents, including management's discussion and analysis and earnings press release.	X			
(viii) Provide to the Board a recommendation as to whether the annual financial statements should be approved.	X			
(ix) Review risk management plans and insurance programs.	X			
(x) Review hedging programs and policies	X			
(xi) Assess adequacy of disclosure controls and procedures.				X
D. External Audit Terms of Reference, Reports, Planning and Appointment.				
(i) Review the audit plan with the external auditors				X
(ii) Discuss in private with the external auditors matters affecting the conduct of their audit and other corporate matters.	X	X	X	X

Meeting Timing	February	April	July	October
<i>Agenda Item</i>				
(iii) Recommend the retention or replacement of the external auditors. If there is a plan to change auditors, review all issues related to the change and the steps planned for an orderly transition.	X			
(iv) Assess independence of external auditors. Ensure rotation of lead or coordinating audit partner having primary responsibility for the audit as required by law.	X			
(v) Review and approve engagement of external auditors for non-audit services.	X	X	X	X
(vi) Review and recommend for approval to the trustees the terms of engagement and the remuneration of the external auditor.	X			
(vii) Review hiring policies regarding employees of external auditor.				X
E. Risk and Insurance				
(i) Review the risks faced by the Fund.				X
(ii) Review insurance coverage, including directors' and officers' liability insurance	X			
F. Material Disclosure Documents				
(i) Review the contents of any material disclosure document prior to their release and recommend their approval to the Board.	X	X	X	X

SCHEDULE "A"

MEANING OF INDEPENDENCE, as defined in MULTILATERAL INSTRUMENT 52-110 –AUDIT COMMITTEES, as amended.

1. A director, trustee, or committee member is independent if he or she has no direct or indirect material relationship with the issuer.
2. For the purposes of subsection (1), a "material relationship" is a relationship which could, in the view of the issuer's board of directors, be reasonably expected to interfere with the exercise of a member's independent judgement.
3. Despite subsection (2), the following individuals are considered to have a material relationship with an issuer:
 - (a) an individual who is, or has been within the last three years, an employee or executive officer of the issuer;
 - (b) an individual whose immediate family member is, or has been within the last three years, an executive officer of the issuer;
 - (c) an individual who is:
 - (i) is a partner of a firm that is the issuer's internal or external auditor,
 - (ii) is an employee of the firm, or
 - (iii) was within the last three years a partner or employee of that firm and personally worked on the issuer's audit within that time;
 - (d) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual:
 - (i) is a partner of a firm that is the issuer's internal or external auditor,
 - (ii) is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or
 - (iii) was within the last three years a partner or employee of that firm and personally worked on the issuer's audit within that time;
 - (e) an individual who is, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the issuer's current executive officers serves or served at the same time on the entity's compensation committee; and
 - (f) an individual who received, or whose immediate family member who is employed as an executive officer of the issuer received, more than \$75,000 in direct compensation from the issuer during any 12 month period within the last three years.
4. Despite subsection (3), an individual will not be considered to have a material relationship with the issuer solely because he or she had a relationship identified in subsection (3) if that relationship ended before March 30, 2004.

5. For the purposes of clauses (3)(c) and (3)(d), a partner does not include a fixed income partner whose interest in the firm that is the internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with that firm if the compensation is not contingent in any way on continued service.
6. For the purposes of clause (3)(f), direct compensation does not include:
 - (a) remuneration for acting as a member of the board of directors or of any board committee of the issuer; and
 - (b) the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.
7. Despite subsection (3), an individual will not be considered to have a material relationship with the issuer solely because the individual or his or her immediate family
 - (a) has previously acted as an interim chief executive officer of the issuer, or
 - (b) acts, or has previously acted, as a chair or vice chair of the board of directors or of any board committee of the issuer on a part-time basis.
8. For the purpose of Schedule A, an issuer includes a subsidiary entity of the issuer and a parent of the issuer.
9. Despite any determination made under Schedule A, an individual who
 - (a) has a relationship with the issuer pursuant to which the individual may accept, directly or indirectly, any consulting, advisory or other compensatory fee from the issuer or any subsidiary entity of the issuer, other than as remuneration for acting in his or her capacity as a member of the board of directors or any board committee, or as a part-time chair or vice-chair of the board or any board committee; or
 - (b) is an affiliated entity¹ of the issuer or any of its subsidiary entities,

¹ An “affiliated entity” is defined as follows:

(1) For the purposes of this Instrument, a person or company is considered to be an affiliated entity of another person or company if

(a) one of them controls or is controlled by the other or if both persons or companies are controlled by the same person or company, or

(b) the person or company is

(i) both a director and an employee of an affiliated entity, or

(ii) an executive officer, general partner or managing member of an affiliated entity.

(2) For the purposes of this Instrument, a person or company is considered to be a subsidiary entity of another person or company if

(a) it is controlled by,

(i) that other, or

is considered to have a material relationship with the issuer.

10. For the purposes of subsection (9), the indirect acceptance by an individual of any consulting, advisory or other compensatory fee includes acceptance of a fee by
 - (a) an individual's spouse, minor child or stepchild, or a child or stepchild who shares the individual's home; or
 - (b) an entity in which such individual is a partner, member, an officer such as a managing director occupying a comparable position or executive officer, or occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the issuer or any subsidiary entity of the issuer.

11. For the purposes of subsection (9), compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.

(ii) that other and one or more persons or companies each of which is controlled by that other, or

(iii) two or more persons or companies, each of which is controlled by that other; or

(b) it is a subsidiary entity of a person or company that is the other's subsidiary entity.

(3) For the purpose of this Instrument, "control" means the direct or indirect power to direct or cause the direction of the management and policies of a person or company, whether through ownership of voting securities or otherwise.

(4) Despite subsection (1), a person will not be considered to be an affiliated entity of an issuer for the purposes of this Instrument if the person;

(a) owns, directly or indirectly, ten per cent or less of any class of voting securities of the issuer; and

(b) is not an executive officer of the issuer.